

How to Create a Family Budget

For singles, creating a budget is relatively easy. They tend to have a good handle on how much money they have coming in, and when tracking expenses, they only have their own to think about. But creating a family budget is a whole new ball game.

Most families have multiple sources of income. And when there are multiple spenders, that makes things much more confusing. This is one of the main reasons that families lack a formal budget. But having a budget and sticking to it can greatly improve a family's financial outlook.

Making a family budget may be tricky, but it can be done. Here's how.

1. Take inventory of all income. If a certain source of income fluctuates from month to month, use the lowest amount or average it out.
2. Keep track of all expenses for a month or so. Keep all of your receipts and ask all family members to turn theirs in to you each day.
3. Add up your monthly expenses. Be sure to include bills, debt payments, groceries, and everyday expenses such as lunch money and transportation costs.
4. Get the family together and discuss ways you can trim the budget. Getting input from other family members will help you determine which expenses are necessary and which ones could be cut down or eliminated. Maybe you or your spouse could start taking lunch to work instead of eating out, or maybe the kids can drop an extracurricular activity.
5. In addition to individual expenses, discuss how you can cut down on the electric bill, groceries and other necessary family expenses. Consider such things as carpooling or taking public transportation, buying more generic foods and adjusting the thermostat.
6. Estimate how much you can save on regular expenses and cut the completely unnecessary items out of the budget. Then refigure it and see where you stand.
7. If you end up with a surplus, allocate a portion of it to savings. If you're in the red, go back and rework the budget until you have more income than expenses.

Being Realistic

One reason that family budgets often fail is because they're just not realistic. It's great to cut down on expenses, but sometimes we tend to go too far. For example, cutting entertainment out of the budget completely might look good on paper, but we all need a little diversion every now and then.

Instead of cutting such things out of the budget completely, consider finding ways to lower the cost. Going back to the entertainment example, maybe you've been going to dinner and a movie as a family twice a month. But eating in and renting a new release would be much cheaper, and you would still get to spend quality time together.

Individual expenses can also be tricky. This can be resolved by allocating a certain amount for each family member to spend each week. If someone spends his entire amount before the week is up, reevaluate his expenses and adjust if necessary.

Creating a family budget can help keep spending under control, leaving more money to pay down debts and save for future goals. But in order to succeed, close monitoring is essential. Your efforts will be rewarded, however, with less financial stress and more money in the long run.